

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 STR-04 CEA-01 NEA-10 IO-10 /106 W

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P 210915Z NOV 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9678

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3. O. 11652: ADS, DECLASS 2/21/76

TAGS: EAID, EFIN

SUBJECT: PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE (TA) -
LAGUNA DEL BAY DEVELOPMENT PROJECT (PHILIPPINES)
PART II OF II

USADB

FOR NAC AGENCIES

12. PART B, IRRIGATION WORKS, TO BE COMPRISED OF REHAB AND UGRADING EXISTING SYSTEMS, CONSTRUCTING NEW PUMPING PLANS AND ADDITIONAL IRRIGATION AND DRAINAGE FACILITIES; INSTALLING DEEP WELLS INCLUDING PUMPS, MOTORS AND POWER FACILITIES; BUILDING SERVICE ROADS AND ESTABLISHING/OPERATING PILOT DEMONSTRATION FARM. THREE LAKE WATER-FED AREAS INCLUDED WOULD BE MABITAC (3/200 HA.); GATID (7,365 HA.) AND ZONE V (950 HA.). THE FOURTH AREA IN ZONE II (3,300 HA.), WOULD BE IRRIGATED BY SURFACE AND GROUNDWATER.

13. ABOVE THREE LAKEWATER ZONES INCLUDE REHAB. OF 122.4 KM. OF EXISTING MAIN AND LATERAL CANALS; CONSTRUCTING 86.7 KM. OF NEW AND MAIN AND LATERAL CANALS, 75.4 KM. OF LIMITED OFFICIAL USE

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SERVICE ROADS AND INSTALLATION OF 8 NEW PUMPING PLANTS.

ZONE II SURFACE/GROUNDWATER DEVELOPMENT INCLUDES SAN JUAN-SAN CRISTOBAL-CABUYAO EAST SYSTEM BEING PROVIDED A NEW LINKING CANAL FROM SAN JUAN RIVER PLUS ELEVEN GROUNDWATER WELLS; 10 KM. OF CANALS AND 23.5 KM. OF SERVICE ROADS. AT MACABLING PROJECT INCLUDES DEMOLITION OF 14 OLD CHECK DAMS, CONSTRUCTION OF 4 NEW DIVERSION DAMS, SIDE CHANNEL SPILLWAYS, IMPROVEMENT TO CANALS AND 9 GROUNDWATER WELLS ALL ALONG SANTA ROSA RIVER..

14. NIA, EXECUTING AGENCY FOR IRRIGATION COMPONENT, WILL ESTABLISH 50 HA. PILOT DEMONSTRATION FARM IN GATID AREA (SIDE LTR. NO. 4, PARA 8), TOTAL COST OF IRRIGATION COMPONENT PART B ESTIMATED AT \$18.70 MILLION OF WHICH \$9.29 MILLION IS FOREX COMPONENT (INCLUDING CONTINGENCIES). NIA, EXECUTING AGENCY FOR ALL PREVIOUS BANK FINANCED IRRIGATION PROJECTS, WILL BE RESPONSIBLE FOR LAND ACQUISITION, INCLUDING CROPDAMAGE PAYMENTS TO FARMERS (SIDE LTR. NO. 4, PARA 5). CONSTRUCTION OF NEW MAJOR IRRIGATION CIVIL WORKS TO BE BY LOCAL CONTRACTORS SELECTED BY NIA WITH BANK CONCURRENCE (SIDE LTR. 2, PARA 8), WHILE REHAB AND IMPROVEMENT OF EXISTING WORKS TO BE PERFORMED BY NIA ITSELF ON FORCE ACCOUNT. HEAVY CONSTRUCTION EQUIPMENT AND MATERIALS NEEDED BY NIA FOR WORK TO BE FINANCED FROM LOAN PROCEEDS; SUCH EQUIPMENT MAY BE UTILIZED LATER FOR OTHER IRRIGATION PROJECTS WITH CONCURRENCE OF BANK (SIDE LTR. 4, PARA 10).

15. PROCUREMENT OF IRRIGATION CIVIL WORKS CONSTRUCTION EQUIPMENT, SHEET PILES, MOTORS AND PUMPS, WELL-DRILLING MATERIALS, ETC. TO BE BY NIA IN ACCORD BANK'S GUIDELINES ON BASIS INTERNATIONAL COMPETITIVE BIDDING FOR CONTRACTS OVER \$100,000; BY INTERNATIONAL SHOPPING ON CONTRACTS LESS THAN \$100,000. FOR CONSTRUCTION MATERIALS AND FACILITIES PROCURED LOCALLY BANK PROPOSES FOREX COSTS OF 60 PERCENT OF CONTRACT PRICES BE FINANCED UNDER BANK LOAN (SIDE LTR. NO. 1, PARA 3). FOREX COSTS UNDER THIS ITEM ESTIMATED AT \$1.2 MILLION.

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16. CONSULTING SERVICES FOR PROJECT IRRIGATION COMPONENT PART B TO BE LIMITED TO REVIEW OF TENDER DOCS FOR MAJOR PROCUREMENT AND OF FINAL DESIGN, ASSIST IN CONSTRUCTION SUPERVISION. THESE CONSULTANTS TO BE SELECTED BY NIA IN ACCORD BANK'S GUIDELINES. PART B CONSTRUCTION TO COMMENCE LATE 1977 AND BE COMPLETED EARLY 1980.

17. TA COMPONENT (PART C) ARE STUDIES AIMED AT DETERMINING WAYS TO REDUCE INCREASING POLLUTION LOAD DURING NEXT TEN YEARS WHICH IF NOT UNDERTAKEN WOULD OFFSET BENEFITS EXPECTED FROM PART A HYDRAULIC STRUCTURE. TA STUDIES TO ASSIST GOVERNMENT IN POLLUTION CONTROL AND PREPARE PHASE II COMPONENTS OF INTEGRATED DEVELOPMENT PROGRAM. TA COMPRISED OF (A) FEASIBILITY STUDY OF LAKE WEST SHORE AND EAST MARIKINA INTERCEPTOR SEWERS; (B) DETAILED STUDY FOR WATER CONTROL PROGRAM AND INSTITUTIONAL ARRANGEMENTS FOR MANAGEMENT, AND (C) EVALUATION AND FEASIBILITY STUDY OF OTHER IRRIGATION PROJECTS, I.E., PAGSANJAN, EAST BAY, CAVITE (LAKE WATER BASED) PLUS ADDITIONAL ZONE II PROJECTS BASED ON SURFACE AND GROUNDWATER.

18. TOTAL COST PART C STUDIES ESTIMATED AT \$750,000 INCLUDING FOREX COMPONENT \$500,000, LARGELY FOR 72 MAN/MOS. CONSULTING SERVICES (12 MAN/MOS. EACH COMPONENT LISTED ABOVE). WATER QUALITY CONTROL STUDIES TO COMPLEMENT CURRENT UNDP/WHO WATER QUALITY MGMT STUDY NOW UNDERWAY FOR WHICH GOVERNMENT HAS REQUESTED ADDITIONAL \$100,000 FROM UNDP TO CONTINUE.

19. FOR ITEMS (A) AND (B) OF PARA 17 ABOVE, LAGUNA LAKE DEVELOPMENT AUTHORITY (LLDA) TO BE EXECUTING AGENCY, WHILE NIA TO BE AGENCY FOR ITEM (C) IRRIGATION FEASIBILITY STUDIES NOTED ABOVE, CONSULTANTS TO BE RECRUITED BY LLDA (ITEMS A AND B) AND NIA (ITEM C) IN ACCORD BANK'S PROCEDURES. ALL TA STUDIES TO BE COMPLETED BY END OF 1977.

20. IN VIEW REQUIREMENT FOR CLOSE AND CONTINUING COORDINATION ALL GOVERNMENT AGENCIES/OFFICES INVOLVED LIMITED OFFICIAL USE

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INTEGRATED DEVELOPMENT PROGRAM, GOVERNMENT HAS ESTABLISHED INTER-AGENCY LAGUNA DE BAY DEVELOPMENT COORDINATING COUNCIL, DEVELOPMENT PROJECTS OFFICE WITH INTER-AGENCY STAFF.
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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9679

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21. TOTAL FOREX ALLOCATION FOR PROJECT THUS \$8.47 FOR HYDRAULIC STRUCTURE; \$6.39 FOR IRRIGATION WORKS (ABOVE TWO AMOUNTS INCLUDE CONSULTING SERVICES FOR DESIGN AND CONSTRUCTION SUPERVISION), \$0.5 FOR TA COMPONENT; \$736 FOR ALL CONTINGENCIES AND \$4.88 INTEREST DURING CONSTRUCTION MAKING AGGREGATE BANK FINANCING OF \$27.6 LOAN AND GRANT COMBINED (ABOVE FIGURES IN MILLIONS). LOCAL CURRENCY (LC) COSTS OF ENTIRE PROJECT EQUAL \$17.62 MILLION EQUIV TO BE MET BY TIMELY GOVT.BUDGETARY ALLOCATIONS TO THE RESPECTIVE EXECUTNG AGENCIES.

22. PROJECT EXPECTED TO GENERATE 100,000 TONS INCREMENTAL PADDY PRODUCTION AFTER 1985 VALUED AT \$7.87 MILLION ANNUALLY; SAVINGS FROM AVERTING LOSSES IN FISHPENS RANGING UP TO \$1.37 MILLION IN 1985; FARMER INCOME TO INCREASE FROM PRESENT \$250 ANNUALLY TO FROM \$1,380 (LEASEHOLDER) TO \$1,558 ANNUALLY (OWNER-OPERATOR). WITH INCREMENTAL INCOME, FARMERS COULD PAY WATER CHARGES ESTIMATED AT \$100 PER FARM OR ABOUT 7 PERCENT OF INCREMENTAL NET INCOME FROM IRRIGATION PROJECT. ALSO, COUNTING RICE CONSUMED AND SOLD, ANNUAL FOREX SAVINGS OF \$15.7 MILLION FROM REDUCED RICE IMPORTATION PLUS SUBSTANTIAL SAVINGS FROM LIMITED OFFICIAL USE

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FLOOD DAMAGE AND ENVIRONMENTAL IMPORVEMENT EXPECTED FROM PROJECT. ECONOMIC RATE OF RETURN FROM HYDRAULIC STRUCTURE CALCULATED AT 14.1 PERCENT; FROM IRRIGATION WORKS AT 14.3 PERCENT. PROJECT CONSIDERED TECHNICALLLY

SOUND AND ECONOMICALLY VIABLE. \$100,000 TA GRANT
JUSTIFIED ON BASIS BANK'S USUAL PRACTICE PROVIDE GRANTS
FOR FEASIBILITY STUDIES AND PROJECT FORMULATION.

23. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE
NAC ACTION. U.S. MISSION MANILA PREPARING COM-
MENTS SEPTEL TO NAC AGENCIES PURSUANT TO STATE
119795 DTD 3 JULY 1972.
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